

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-07 INR-10 L-03 NSAE-00 NSC-07

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DOT-00 FAA-00 IO-14 SAJ-01 TRSE-00 DRC-01 /118 W

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O R 261851Z APR 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 2066

INFO AMEMBASSY LONDON

USMISSION BERLIN

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E. O. 11652: N/A

TAGS: ETRN, WB, WG

SUBJECT: CIVAIR - RENTS AND FEES AT BERLIN AIRPORTS

REF: A. BONN 3374, B. BERLIN 302, C. BONN 2347

1. SUMMARY. PROBLEM OF BERLIN AIRPORT COMPANY (BFG) REQUEST FOR INCREASED LANDING AND PARKING FEES AND RENTALS, AS WELL AS SHIFT IN METHOD OF COLLECTING THE PASSENGER SERVICE CHARGE HAS COME TO A HEAD AGAIN. PAA AND BA OPPOSE THE INCREASES AND MAKE THE CASE THAT TO ABSORB THE ADDITIONAL COST WOULD WIPE OUT A SIGNIFICANT PART OF THEIR GAINS THROUGH THE FEBRUARY PASSENGER FARE INCREASE. FONOFF, HOWEVER, IS PRESSING THE CIVIL AIR ATTACHES FOR APPROVAL IN VIEW OF ALLIED AGREEMENT TO GIVE PROMPT AND SYMPATHETIC CONSIDERATION TO THE BFG'S APPLICATION WHEN THE FRG CONCURRED IN THE IGS FARE INCREASE LAST FEBRUARY. FONOFF SEEMS MORE CONCERNED IN OBTAINING ADDITIONAL INCOME FOR BFG, THEREBY REDUCING THE BFG'S NEED FOR FEDERAL SUPPORT THAN IN PRESENT OR FUTURE IMPACT ON PASSENGER FARES. ACTION
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REQUESTED: THE EMBASSY SUGGESTS A POSSIBLE COMPROMISE

AND REQUESTS THE DEPARTMENT'S VIEWS.

2. DURING THE PAST TWO MONTHS, CAA'S HAVE OBTAINED VIEWS OF PAA, BA AND MODERN AIR TRANSPORT ON THE IMPLEMENTATION OF THE PROPOSED NEW FEES AND RENTALS. CAA'S HAVE ALSO STUDIED IN SOME DETAIL THE BFG PROPOSALS. WITHOUT GOING INTO ALL THE COMPLEXITIES, THE GIST OF THE APPLICATION IS AS FOLLOWS:

(A) LANDING FEES FOR COMMERCIAL AIRCRAFT ON IGS

FLIGHTS:

INCREASE FROM DM 7.00 TO DM 8.50 PER 1000

KILOS.

ANNUAL COST TO PAN AM - DM 1.8 MILLION.

ANNUAL COST TO BA - DM 930,000.

(B) LANDING FEES FOR INTERNATIONAL FLIGHTS:

INCREASE FROM DM 7.00 TO DM 11.00.

NOTE: AFFECTS PRINCIPALLY BERLIN CHARTER OPERATIONS. COST TO MODERN AIR FOR EACH LANDING WOULD INCREASE BY 57 PERCENT FROM DM 805.00 TO DM 1,265.

(C) PARKING FEES:

FROM DM 1.40 TO DM 2.00 PER 1,000 KILOS PER HOUR.

ANNUAL INCREASED COST TO PAN AM - DM 144,000.

ANNUAL INCREASED COST TO BA - DM 72,000.

(D) RENTAL INCREASE OF AVERAGE OF 33 1/3 PERCENT FOR AIRPORT AREAS.

ANNUAL INCREASED COST TO PAN AM - DM 144,000.

ANNUAL INCREASED COST TO BA - DM 66,000.

(E) PASSENGER SERVICE CHARGE:

INCREASE FROM DM 5.00 PER HEAD TO DM 5.55

AND SHIFT IN COLLECTION METHOD.

ANNUAL INCREASED COST TO PAN AM - DM 67,000.

ANNUAL INCREASED COST TO BA - DM 35,000.

3. THE TOTAL ESTIMATED ANNUAL COST TO THE SCHEDULED CARRIERS AND TO MODERN AIR OF THE ENTIRE BFG PACKAGE LIMITED OFFICIAL USE

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IS AS FOLLOWS:

PAN AMERICAN - DM 2.15 MILLION.

BRITISH AIRWAYS - DM 1.1 MILLION.

MODERN AIR TRANSPORT (CHARTERS) - DM 1.2 MILLION.

4. THE MOST RECENT INCREASE IN BERLIN LANDING AND PARKING FEES WAS AUTHORIZED IN JULY 1971 AT THE TIME

OF A FARES INCREASE. ON THAT OCCASION, THE IGS SCHEDULED CARRIERS WERE AUTHORIZED BY THE ALLIES AN ADDITIONAL AMOUNT BEYOND THE PERCENTAGE FARE INCREASE TO COVER THE INCREASE IN FEES PAID TO THE BFG. RENTALS WERE LAST INCREASED (BY 33 1/3 PERCENT) EFFECTIVE JANUARY 1, 1973. THE THRUST OF THE BFG ARGUMENT FOR FURTHER INCREASES IS THAT PERSONNEL AND OTHER COSTS HAVE RISEN IN BERLIN (AND THE FRG) AND THAT WITH FEES

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AND RENTALS AT CURRENT LEVELS, THE BFG IS NOT COVERING ITS OPERATING EXPENSES. THE DEPARTMENT MAY RECALL, HOWEVER, ANOTHER REASON WHY THE BFG, THE SENAT AND THE FRG WISH TO MAXIMIZE BFG EARNINGS, NAMELY THEIR DESIRE TO RECOVER THE HIGH COST OF CONSTRUCTING THE TEGEL SOUTH TERMINAL. FRG AND THE SENAT OFFICIALS RESPONSIBLE FOR CIVIL AIR MATTERS ARE OF THE VIEW THAT LANDING AND OTHER FEES AND RENTALS IN BERLIN, AND IN PARTICULAR AT TEGEL SOUTH SHOULD BE SET AT LEVELS

SIMILAR TO THOSE AT FRG AIRPORTS.

WHILE SUPPORTING SOME INCREASES, THE ALLIES HAVE RESISTED RAISING THE RATES TO FRG LEVELS IN LINE WITH POLICY OF KEEPING ALL COST ELEMENTS IN BERLIN CIVIL AIR AS LOW AS POSSIBLE. ALSO, FACILITIES AT TEMPELHOF ARE NOT UP TO THOSE AT RECENTLY CONSTRUCTED FRG AIRPORTS.

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5. THE ABOVE WAS REFLECTED IN THE VIEWS OF DR. JIRKA, THE FRG REPRESENTATIVE ON BCATAG, WITH WHOM CAA'S MET ON APRIL 22. CAAS INFORMED JIRKA THAT, AS AGREED DURING THE FEBRUARY FARE INCREASE DISCUSSIONS, WE HAD BEEN GIVING SERIOUS CONSIDERATION TO THE BFG APPLICATION, AND HAD OBTAINED FIGURES ON ITS COST IMPACT TO THE BERLIN CARRIERS. AIRPORT FEES AND RENTALS WERE A NOT INCONSIDERABLE COST ITEM IN THE AIRLINE ACCOUNTS AND THE CAAS DOUBTED THAT THE INCREASES AS PROPOSED BY THE BFG COULD BE ABSORBED BY THE CARRIERS. THE SITUATION WAS AGGRAVATED BY THE CONTINUING LOW LEVEL OF PASSENGERS ON THE IGS AND BY HIGH FUEL COSTS. THE CAAS COULD NOT GIVE ASSURANCES THAT, IF THE INCREASES WERE APPROVED, THE AIRLINES WOULD NOT APPLY FOR A FURTHER INCREASE IN PASSENGER FARES.

6. DR. JIRKA EXPRESSED GREAT DISAPPOINTMENT AT THESE PRELIMINARY VIEWS. HE SAID THAT THE MATTER OF THE BFG'S BUDGETARY PROBLEMS WAS OF CONSIDERABLE IMPORTANCE TO THE FRG. HE HAD BEEN ABLE TO CONVINCE HIS SUPERIORS IN THE FONOFF AND IN OTHER MINISTRIES TO ACCEPT THE FEBRUARY IGS FARE INCREASE ONLY THROUGH HIS PERSONAL ASSURANCES THAT PROMPT AND SYMPATHETIC CONSIDERATION BY THE ALLIES OF THE BFG'S PROPOSED FEE AND RENTAL INCREASES WOULD ACTUALLY MEAN SOMETHING. HE THOUGHT THE CAAS' REMARKS MOST DISCOURAGING AND FELT SURE HE WOULD HAVE GREAT DIFFICULTIES IN ANY FUTURE FARE INCREASE APPLICATIONS IF SOMETHING WERE NOT DONE ABOUT BERLIN AIRPORT FEES AND RENTALS.

7. DR. JIRKA DID NOT EXPRESS ANY GREAT CONCERN OVER THE POSSIBILITY THAT PASSENGER FARES MIGHT RISE SOONER OR LATER IF FEES AND RENTALS WERE INCREASED; HIS EMPHASIS WAS ENTIRELY ON THE BFG PROBLEM. WHILE HE WOULD NOT WISH TO BE QUOTED, HE THOUGHT THAT WHEN AND IF A FURTHER IGS PASSENGER FARE INCREASE WERE TO COME ABOUT, THE FRG WOULD NOT OBJECT TO AN INCREMENT TO

THE FARES TO COVER THE COST TO THE CARRIERS OF THE
INCREASED FEES AND RENTALS. IN CONCLUSION JIRKA URGED
THE CAAS TO TAKE IMMEDIATE ACTION IF POSSIBLE ON THE
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FEES AND RENTALS. IT WAS DISAPPOINTING, HE THOUGHT,
THAT TWO MONTHS HAD GONE BY SINCE THE FARE INCREASE
AND THE CAAS HAD STILL NOT APPROVED THE NEW FEES AND
RENTALS.

8. IN SUBSEQUENT DISCUSSION AMONG CAAS, A COMPROMISE
PROPOSAL FOR CONSIDERATION OF CAPITALS WAS WORKED OUT.
IT WAS BELIEVED THIS MIGHT SATISFY THE FRG AND THE BFG,
AND WOULD BE MORE ACCEPTABLE TO THE AIRLINES:

(A) AUTHORIZE AN INCREASE IN LANDING
FEES FOR IGS FLIGHTS TO DM 8.00 INSTEAD OF
8.50.

(B) LANDING FEES FOR INTERNATIONAL FLIGHTS SHOULD
REMAIN THE SAME AS FOR IGS FLIGHTS UNTIL
NOVEMBER 1, A DATE WHICH COINCIDES BOTH WITH
THE OPENING OF TEGEL SOUTH AND THE END OF
THE CHARTER CONTRACT SEASON. THEY WOULD THEN
BE RAISED TO THE REQUESTED LEVEL OF DM 11.00
(SAME AS IN THE FRG).

(C) PARKING FEES: APPROVE AS REQUESTED.

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(D) RENTALS: AUTHORIZE INCREASE OF 20 PER CENT
INSTEAD OF 33-1/3.

(E) PASSENGER SERVICE CHARGE: DISAPPROVE THE
INCREASE AND THE CHANGE IN COLLECTION METHOD.
FIRST, BECAUSE PAYMENT OF THIS CHARGE IS
UNDER LITIGATION IN THE FRG AND SECOND, IT
IS A VERY MINOR SOURCE OF INCOME TO THE BFG
BUT A NUISANCE FOR THE CARRIERS.

(F) FINALLY, THE CAAS WOULD INFORM THE FRG
OFFICIALS CONCERNED THAT THE ALLIES WOULD BE
PREPARED TO AUTHORIZE THE FEES AND RENTALS
IN THE FULL AMOUNT OF THE INCREASES PROPOSED
BY THE BFG AFTER TEGEL SOUTH IS OPEN, USED
BY ONE OR MORE OF THE IGS CARRIERS AND THE
BFG IS ACTUALLY INCURRING THE HIGHER
OPERATIONS COST AT THE NEW TERMINAL.

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9. COMMENT: IN SPITE OF THE COMPLAINTS WHICH PANAM
HAS MADE AND UNDOUBTEDLY WILL MAKE IF INCREASES IN
FEES AND RENTALS ARE APPROVED, EMBASSY DOUBTS THAT THE
INCREASES WOULD HAVE SERIOUS EFFECTS ON
PANAM. FURTHERMORE, PANAM IS VERY LIKELY TO HAVE THE
OPPORTUNITY TO PASS ON TO THE PASSENGERS OR OTHERWISE
NEUTRALIZE THE EFFECTS OF THE INCREASE WITHIN THE NEXT
HALF YEAR, EITHER IN CONNECTION WITH A POSSIBLE FUEL
SURCHARGE, OR WITH THE ARRANGEMENTS PANAM IS SEEKING
TO WORK OUT WITH THE BERLIN SENAT TO COVER THE
INCREASED OPERATIONS COSTS AT TEGEL SOUTH. EMBASSY
CAA AGREED TO CONSIDER THE COMPROMISE AND WE STRONGLY
SUPPORT POINTS (B) AND (E) IN THE PREVIOUS PARAGRAPH.

IN ANY CASE, EMBASSY STRONGLY RECOMMENDS
THAT CAAS AUTHORIZE SOME INCREASE IN FEES AND RENTALS
AS THE FRG HAS REQUESTED AND WOULD PREFER THE DEPT'S
APPROVAL FOR FLEXIBILITY IN NEGOTIATING EITHER THE
COMPROMISE OR RATES CLOSER TO THE BFG'S APPLICATION.

10. STATE 85230 RECEIVED AFTER THE ABOVE WAS DRAFTED.
RE PARA 5, PAA HAS TOLD US THAT NEITHER THE FEBRUARY 15
FARE INCREASE NOR THE CALCULATIONS ON THE PROPOSED
INCREASE TO COVER FUEL COSTS TOOK INTO ACCOUNT THE
BFG'S MOST RECENT APPLICATION (PARA 2 ABOVE) FOR NEW
FEES AND RENTALS. THE UK CAA LIKEWISE INFORMED US ON
APRIL 4, THAT BA'S PRESENTATION DID NOT COVER THE
BFG'S PROPOSAL (PARA 3, BONN 5559). IN FACT, PAA
OFFICIAL CARLSON TOLD US CAB PROCEDURES PRECLUDED AIR-
LINES FROM INCLUDING ANTICIPATED (NOT YET REALIZED)
OPERATING OVERHEADS IN FARE INCREASE APPLICATIONS.
WE, NONETHELESS, SEE SOME MERIT TO INCREASING FUEL
SURCHARGE CALCULATIONS SUFFICIENTLY TO COVER THE RATES
REQUESTED BY THE BFG. THERE IS GOOD REASON TO BELIEVE
JIRKA PERSONALLY WOULD FIND THIS SOLUTION FAR MORE
DESIRABLE THAN PROTRACTED NEGOTIATION OVER FEE AND
RENTAL LEVELS. AT THE SAME TIME, WE WOULD RESOLVE A
LONG STANDING AND SENSITIVE PROBLEM FROM THE GERMAN
POINT OF VIEW AND CLEAR THE AIR FOR A MORE SHARPLY
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FOCUSED QUADRIpartite APPROACH TO THE IMPACT OF FUEL
COSTS ON THE IGS. ACTION REQUESTED: THE DEPARTMENT'S
VIEWS WOULD BE APPRECIATED AS SOON AS POSSIBLE SO THAT
MATTER MAY BE CONSIDERED BY CAA'S AND IN BONN GROUP
IN CONNECTION WITH THE PROPOSED FUEL SURCHARGE.
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